Owning modest home better than renting

MORTGAGE SHOPPING

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The reasons people rent instead of buying a home are varied. Some of today's renters simply do not realize how easy it can be to own their own home.

Years ago, I was renting a house and home ownership was the last thing on my mind. I was making decent money at my job but did not have very much money in the bank. I was young and just did not realize how the benefits of owning my own house could help me.

Then my neighbor entered their picture. He was a nice older man who showed me how I could buy a house down the street that was for sale. He mentioned that FHA mortgage loans were available where I would not have to put much money down.

He pointed out the tax benefits of buying the house and how they could benefit me. I was wasting my money paying rent while my landlord was gaining most of the benefits. And if my house appreciated in value, it would cost me more to buy the house the longer I waited. At the same time I would lose that appreciation myself. So I talked to a lender and soon became a homeowner.

The key was that I didn't have rigid expectations on the type of house I could buy. That meant I was satisfied in starting out with a modest home in a decent neighborhood.

Owning my own home seemed to help me have the desire to achieve more in my career, too. Home ownership was the start I needed.

I believe it is better to live in a more modest area and own your own home rather than paying rent. Then you can continue to trade up as you can afford more house along the way, perhaps even making a profit on each house you sell.

The main point is to talk to a mortgage lender to get a pre-qualification so you will know how much house you can afford. Then check with a Realtor to find out what's available in that price range.

Keep your expectations realistic. If you need to, make the sacrifices in what you want in that first house so you can gain the benefits of home ownership and buy a nicer house later.

The deduction for interest paid on a home loan and the cost of property taxes are most people's biggest tax deductions. You would be surprised at how much money these two deductions put in your pocket.

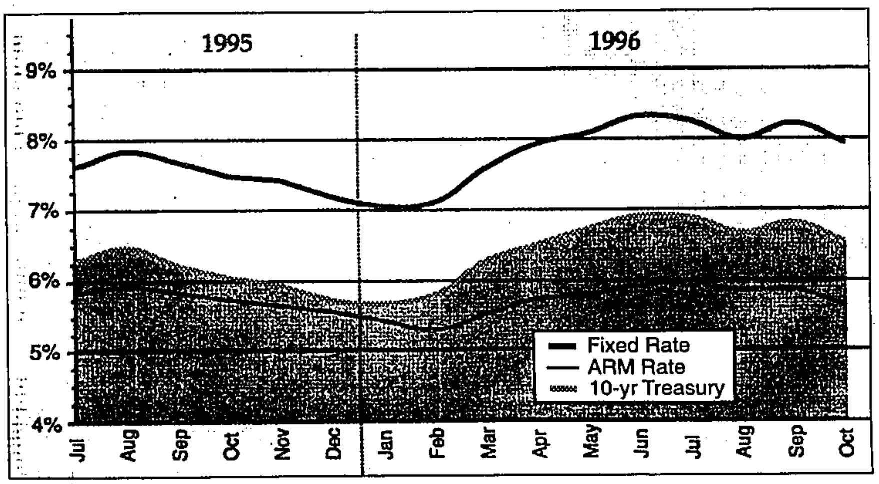
The monthly house payment may not seem so big if you take into account the smaller size of your refund check at the end of the year. Keep this in mind when a lender quotes you a house payment and it seems a little high for your budget.

Buying a condominium has the same benefits. Buying a condo can allow you to buy in a nicer area than you could afford for a house because condos are generally less expensive than houses. They may not appreciate as much as a house, but you can still gain a lot of benefits and will be way ahead versus continuing to rent.

Considering these advantages to home ownership if your plan is to save for a few years to buy your first house, why not lower your expectations a little so you can buy now? To get started you can call me for a free consultation.

David Mully has been writing his weekly "Mortgage Shopping" column for the Observer & Eccentric Newspapers since June 1995. He has been involved with residential mortgage lending in the Detroit area since 1988 and is a senior loan officer. For information about a new mortgage, call Mully toll-free at 1-800-405-3051, fax him at 810-380-0603 or send e-mail to cgbx04d@prodigy.com. You can access Mully's previous Mortgage Shopping articles on-line at http://oconline.com/ ~emoryd/mully

Confidence rises, so does the number of building permits



SOURCE: U.S. HOUSING MARKETS

Mortgage trends: *Fixed rate mortgages have tracked slightly higher this year than during 1995.*

Confidence in the economy spurred by more jobs offset higher mortgage rates to fuel a residential building boom nationally through the third quarter of 1996.

Single-family building permits across the country were up 2.5 percent July through September compared to the similar period in 1995, according to U.S. Housing Markets, a Canton-based tracking/reporting service.

Through the first nine months of 1996, single-family permits were up 10.6 percent nationally. Some 842,200 had been issued.

In southeastern Michigan, including Wayne and Oakland counties, single-family permits increased 8.4 percent during the third quarter and 15.6 percent through nine months of the year.

The actual numbers were 5,934 for the quarter, 17,097 through the year.

"Nationally, new home sales and construction trends moved independently of mortgage rates in 1996," said Brian Bragg, U.S. Housing Markets editor.

"Lending rates ran above 1995 levels for much of the year, by a half-point or more in most months, but Americans confounded the experts with very robust homebuying," he said.

"Steady job formations bred buyer confidence. Subdivision shoppers all but ignored the higher loan rates," Bragg said.

Some 77,000 jobs had been created in southeastern Michigan between September 1995 and September 1996, U.S. Housing Markets reported.

"All suburban sectors of the Detroit metro area have participated in a homebuilding and homebuying boom which will drive single-family permits this year to more than 20,000, the highest level since 1978," Bragg reported.

"The cause? Jobs, jobs and more jobs in an economy largely driven by a prospering auto industry and its spinoffs," he continued. "There is no evidence yet that the Motown hiring binge has topped out."

Job growth here was the third best in the nation, trailing only Dallas and Los Angeles, U.S. Housing Markets reported.

Only Chicago, with 8,060 single-family permits issued during the third quarter, out-paced southeastern Michigan in the Midwest region.